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**2011 Lawrence County Trending Project**

Activity Summary

**General**

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county beginning in mid-2007 and continued to slow throughout 2008 and 2009. During 2010 price levels were flat and sales volume continued to lag. The number of sales has fallen and the percentage of forced or distressed sales has increased, however there has not been a complete market collapse as evident in other parts of the country. Prior to 2009 most of the growth in the county was seen in the northern part of the county, in Marshall and Perry Townships, where new development has been influenced by the close proximity to Bloomington. During 2009 growth in these two townships slowed substantially and little new housing activity was seen during 2010.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. This tapered off in 2008 and early 2009. While growth has increased in this area, the addition of the new store has had an adverse effect near the location of the former store. Outside of the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37. The number of commercial buildings permits fell sharply during both 2008 and 2009, and that pattern continued throughout 2010.

The Industrial sector has been relatively static to declining. There has been relatively little new construction among the larger facilities in the county, with the exception of the stone mills. Some smaller shops have been added during the past few years and some new areas have been purchased for quarry sites. The two largest manufacturers in the county have been severely affected by the downturn in the economy. The General Motors Powertrain plant has been hurt by the lack of demand in the automotive sector, and the Ford Visteon Plant shut its doors and laid off its entire workforce. The Visteon plant was sold in 2008 and has now been converted to a multi-tenant shop and warehousing facility. Most of the converted space is leased to contractors that supply products to the Crane Naval Weapons Center.

**Commercial**

In the cities of Bedford and Mitchell a large enough sample of improved commercial sales was available to develop a trending factor for both the 2010 and 2011 projects. This factor was relatively small, and was applied as a land multiplier in 2010. In 2011 a smaller land factor was applied to those commercial in the more active areas only. Applying this trend factor to the

improved parcels yielded an increase in most parcels in Bedford and Mitchell during 2010. During 2011 a smaller number of parcels were changed. A majority of Commercial parcels in both of these taxing units were increased during the 2006 through 2009 trending projects. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out. This was done during each of the 2007, 2008 and 2009 trending projects. During the 2010 and 2011 trending projects no adjustments were made to the commercial parcels in the small taxing units.

The cost index was developed from reviewing 4 different time-adjusted indexes in the *Marshall and Swift* manual. The index arrived at for the 2007 trending was 1.33 (133%). That factor was changed to 1.39 (139%) for the 2008 project and 1.41 (141%) for the 2009 project. After the Commercial and industrial recalculation was carried out in 2007, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. For the 2008 project the effective age for depreciation was changed to January 1, 2007. For the 2009 project the effective age for depreciation was January 1, 2008. Market data available was used to help determine obsolescence depreciation if needed.

As part of the review of commercial property, the county's appraisal vendor carried out field inspections and complete reassessments of 33% of the improved property in both Bedford and Mitchell during 2007, and an additional 33% of those parcels in 2008, and is completing a review of the remaining 33% in 2009. During the 2010 project another 10% of the commercial and industrial parcels were reviewed countywide. During the 2006 trending project an additional 10% of the commercial and industrial parcels county-wide were completely reworked. Over a 5-year span over 90% of the improved commercial and industrial property has been reviewed in the field and reworked when needed. This review includes multiple visits to certain parcels. During the 2012 reassessment approximately 40% of the commercial and industrial properties have been reviewed with a smaller percentage being reviewed and data entered to date.

While commercial property activity has been relatively flat, there has been some downward pressure on industrial facilities as evidenced by plant closings, production cutbacks, and excess available industrial square footage. With these factors and other market trends, improved industrial parcels were trended downward approximately 2% on average for 2011.

## **Commercial Land**

In order to supplement the county's data base for commercial land the land the county contracted with an appraisal firm from Bloomington, that is actively involved in appraising commercial properties in the greater Bloomington-Bedford area, to provide appraisal data on commercial land in Marion and Shawswick Townships. This data has been used to support and revise the land values established by the county. During each of the 2006, 2007 and 2008 trending projects commercial land has been raised significantly. During the 2009 and 2010 projects those increases were much more modest than in prior years. Changes made during 2011 were even smaller with many parcels left unchanged. During both the 2009 and 2010 projects the largest increases were made to those properties along the main traffic corridors including Highway 37,

16th Street in Bedford, and the North side of Bedford along John Williams Blvd near the new Walmart center. Adjustments made during 2011 were primarily to fine tune the land values and were not because of new demand for those properties.

## **Residential**

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. For those parcels where the sale price and assessed value differ by more than 15% a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures. During the 2010 project approximately 150 parcels were field checked to determine reasons for deviations in sale prices and assessed values. During the period between 2005 and 2010 approximately 900 parcels have been field checked in a similar manner. During the 2011 trending project all sales, including distressed sales, have been field checked. These field checks have been either on an individual basis or as part of 2012 reassessment activity. Due to time constraints, not all data entry changes from those inspections have been made .

Sale prices throughout the county showed modest increases in 2006 and 2007. During 2008 the residential market began to stagnate with the lack of activity continuing into 2009. Changes in the market depended primarily on sale price level. Homes priced at \$150,000 or less continued to sell reasonably well. Much of this activity was related to the 'first-time homebuyers credit'. While market activity of the more modestly priced homes was acceptable, the market for homes over \$150,000 stagnated and dropped. Homes priced in excess of \$200,000 showed drops in sale prices from sales a few years earlier. During 2010 sale prices seemed to be relatively flat with very little variation. Typical homes for sale seemed to remain on the market for longer periods than in the past, and sellers often reduced their listing prices two or more times prior to each sale.

The number of foreclosures increased during the 2008 and 2009 trending project and jumped again during the 2010 trending project. During the 2011 project the number of distressed sales seemed to level off, but still remained quite high. The resulting number of distressed sales has created additional work during the verification process. The number of contract sales has jumped as buyers are less likely to find conventional financing.

Significant changes were made to the residential parcels during the 2006 trending project, but most of the changes for 2007 and 2008 were relatively modest. Changes during the 2009 were extremely modest with some neighborhoods showing no change. During the 2010 project some neighborhoods were trended slightly higher, several were left unchanged, and several were also lowered to reflect lower market prices. The changes to neighborhoods made during 2011 followed this same pattern, with a higher percentage left unchanged. [ *\*See attached file which summarizes all changes made to each neighborhood within the county for both 2010 and 2011*].

## **Income Producing Properties**

Lawrence County has a relatively large number of multi-family housing apartments. Most of the

multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006, 2007 and 2008 trending projects. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that is used in valuing rental property in the county.

### **Other Data Sources**

The county has very actively utilized any data that can be obtained from MLS data. The data is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. During the 2006 through 2009 trending projects approximately 800 parcels were adjusted as a result of information gathered from MLS data. During the 2010 and 2011 projects the number of parcels reviewed through listing data has fallen due to the decreased number of homes for sale on the open market. The county uses this data in an ongoing basis and the data is not limited just to trending.

As part of the ongoing assessment process the county also has a tax attorney, Marilyn Meighn, on retainer. The county utilizes her services on various appeals each year, for questions relating to exemptions, and interpretation of Indiana Code and directives. She has also coordinated appraisers and expert witnesses for tax appeal hearings.

The Bloomington appraisal firm that has assisted the county with commercial land valuations has also assisted the county with a variety of other projects during the past few years including the appraisal of multiple apartment complexes throughout the county and a review of capitalized income and expense data. The same firm is also assisting the County with a review of rental data on Bedford's shopping center. The county has also in the past retained the services of an Evansville appraisal group with assistance on larger industrial facilities.

### **Neighborhood Revisions**

During the 2008 trending project an extensive review of neighborhoods was conducted. As part of that review various subdivisions within the Bedford City limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Also, during the 2008 review, various small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar attributes. Below is a listing summary of neighborhood combinations:

Bedford # 4 neighborhoods inactive after combination;  
Pleasant Run #9704 added to #9705;  
Oolitic #6 neighborhoods inactive after combination;  
Perry # 5 neighborhoods inactive after combination.

While the above neighborhoods were combined because those areas were "overstratified" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels included in the same neighborhood as residential and ag parcels. The commercial and industrial parcels of Marion Township were split from neigh #9401 and added to a new neighborhood #9405.

During the 2009 project additional smaller neighborhoods were combined into larger neighborhoods to further reduce any areas which may have been "overstratified". During the upcoming reassessment the county plans to further adjust neighborhood boundaries and combine additional smaller homogenous neighborhoods.

As work continues on the 2011 land valuation and 2012 reassessment, the county will further consolidate many smaller neighborhoods into larger adjacent areas to further reduce stratification. At least 25% of the existing neighborhoods will be combined prior to March 1, 2012. [*\* Attached neighborhood file indicates which neighborhoods will be consolidated in 2012*].

### **Time Trending of Sales Outside the 2010-2011 Sales Period**

Due to the small size of some of the county's more rural townships the number of available sales from 2010 and early 2011 was not sufficient to produce an adequate sample pool of sales. The sale range was expanded to include sales from 2006 through 2009 if needed. The time adjustment factors tended to be lower than those used during prior trending projects. This was done to reflect the trends shown in the market. For residential improved parcels a nominal annual rate of 1% was used for 2006-2008 sales. There was no measurable change between 2009 and 2010 sales so no time adjustment was made for 2009 sales. In the past, there was a measurable difference in price changes between raw land and improved sales. Due to the lack of demand for land for new construction, that gap has narrowed and raw land sales have been adjusted using the same methodology.

In lieu of using a traditional index such as the CPI, the adjustment factors were based upon a variety of methods including opinions of local appraisers and realtors; review of parcels with multiple sales in the past five years; and a review of sales data from prior trending projects. Index factors such as building materials cost have tended to increase significantly while the price of homes have remained flat.

As part of the 2010 project the Assessor obtained written opinions of market change from local Realtors and Appraisers to supplement the data.

## **Combination of Commercial and Industrial Sales Lists**

Due to the limited number of industrial sales within the county, all industrial improved sales have been combined onto one spreadsheet and all industrial vacant sales were also combined into one spreadsheet. In addition, all commercial vacant and all commercial improved sales outside of Shawswick Township were combined with Marion Township.

## **Review of Specific Home Types**

During the ongoing review process as part of annual trending and during the initial phases of reassessment activity, two types of homes have been identified as showing more deviation from sale prices than other types of dwellings – manufactured homes and log homes. Manufactured homes have dipped more in price than other home categories and a very larger number of parcels containing sectional/ double-wide homes have been foreclosed or have sold through distressed sales. Due to this downward pressure all properties with manufactured homes are being looked at closely and an obsolescence factor is being applied to lower the assessed values of these parcels.

While manufactured home assessments were running somewhat high relative to the market, the assessments on traditional log homes tended to be too low relative to the market. Most log homes have shown a discounted assessed value relative to market sale prices. During the reassessment process all log-type dwellings will be looked at closely and to date, the grades have been raised roughly 5 to 10% to bring the assessments more in line with the market.

## **Reassessment Activity**

Data collection, review and data entry is ongoing in all taxing units as part of the 2012 reassessment process. The highest number of parcels changed to date for data entry has been in Marion Township, Mitchell, Bedford, Bono Township and Oolitic. Those taxing units will exhibit the highest percentage of changes in assessed values relative to the 2010 assessed values.

## **Lawrence 2011 Revised Ratio Study Supplemental Narrative**

The following changes were made to the initial Lawrence County 2011 Ratio Study:

- 1) In order to create sales pools which relied on the same sales years for each township or grouping of townships multiple older sales were removed from the residential improved spreadsheets. All 2006, 2007, 2008, and 2009 sales were removed. This revision was approved by the DLGF prior to making those changes. If the sale pool would have included 2009 then approximately 250 additional residential improved sales would have been added, primarily in Shawswick Township.
- 2) Due to the limited number of sales available after removing the older sales, various townships were grouped together to produce a larger base. Guthrie, Bono and Pleasant Run were combined (Rolling, heavily wooded townships which make up the Eastern 1/3 of the county.

Indian Creek and Spice Valley which make up the Southwest quarter of the county were also grouped together for residential improved.

- 3) For residential vacant parcels, all sales from 2006 through 2008 were pared from the study, leaving January 1, 2009 through 2/28/2011. This greatly reduced the number of available valid sales. The two largest townships, Marion and Shawswick, were left by themselves, while all of the remaining, more rural townships were combined into one study.